

STATE OF OKLAHOMA  
DEPARTMENT OF SECURITIES  
204 NORTH ROBINSON, SUITE 400  
OKLAHOMA CITY, OKLAHOMA 73102



In the Matter of:

William David Lancaster (CRD #3188168),

Respondent.

ODS File 18-085

**NOTICE OF SERVICE ON THE ADMINISTRATOR**  
**AND**  
**AFFIDAVIT OF COMPLIANCE**

STATE OF OKLAHOMA    )  
                                  )    ss.  
COUNTY OF OKLAHOMA)

The undersigned affiant, of lawful age, being first duly sworn upon oath deposes and states:

1. That he is the Administrator of the Oklahoma Department of Securities (“Administrator”).

2. That a copy of the Notice of Opportunity for Hearing (“Notice”) with the Amended Enforcement Division Recommendation (“Amended Recommendation”) attached was delivered to Affiant in the office of the Administrator pursuant to Section 1-611 of the Oklahoma Uniform Securities Act (“Act”), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (Supp. 2017).

3. That the Administrator has received service of process on behalf of Respondent, pursuant to Section 1-611 of the Act.

4. That a copy of the Notice, with the Amended Recommendation attached, and a copy of this Notice of Service on the Administrator and Affidavit of Compliance are being sent this 10<sup>th</sup> day of May, 2018, by certified mail, return receipt requested, delivery restricted, to the last known address of Respondent, in compliance with Section 1-611 of the Act.

5. That this Affidavit of Compliance is declared filed of record as of the date set forth below in compliance with Section 1-611 of the Act.

FURTHER AFFIANT SAYETH NOT.

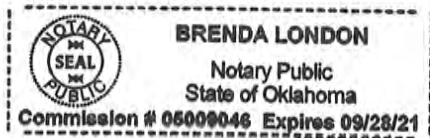
Dated this 10th day of May, 2018.

(SEAL)

  
\_\_\_\_\_  
IRVING L. FAUGHT, ADMINISTRATOR OF THE  
OKLAHOMA DEPARTMENT OF SECURITIES

Subscribed and sworn to before me this 10th day of May, 2018.

(SEAL)



  
\_\_\_\_\_  
Notary Public

STATE OF OKLAHOMA  
DEPARTMENT OF SECURITIES  
204 NORTH ROBINSON, SUITE 400  
OKLAHOMA CITY, OKLAHOMA 73102



In the Matter of:

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**NOTICE OF OPPORTUNITY FOR HEARING**

1. On the 8<sup>th</sup> day of May, 2018, the attached Amended Enforcement Division Recommendation (“Amended Recommendation”), in support of the issuance of an order imposing a bar on William David Lancaster (“Respondent”) pursuant to Section 1-411 of the Oklahoma Uniform Securities Act of 2004 (“Act”), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (Supp. 2017), was left in the office of the Administrator of the Oklahoma Department of Securities (“Administrator”).

2. Pursuant to 660:2-9-1 of the Rules of the Oklahoma Securities Commission and the Administrator of the Department of Securities (effective November 1, 2016) (“Rules”) and Section 1-411 of the Act, the Administrator hereby gives notice to Respondent of his obligation to file an answer and his right to request a hearing to show why an order based on the Amended Recommendation should not be issued.

3. The answer must be in writing and received by the Administrator within fifteen (15) days after service of this Notice. As required by 660:2-9-2 of the Rules, the answer shall indicate whether Respondent requests a hearing and shall specifically admit or deny each allegation contained in the Amended Recommendation or state that Respondent does not have, and is unable to obtain, sufficient information to admit or deny each allegation. If Respondent intends in good faith to deny only a part of an allegation, Respondent shall specify so much of it as is true and shall deny only the remainder.

4. Failure to file an answer in compliance with 660:2-9-2 of the Rules, to include a request for a hearing as provided for herein, shall result in the issuance of an order barring Respondent from registration under the Act for twenty-four (24) months, pursuant to Section 1-411 of the Act and 660:2-9-2 of the Rules.

5. Upon receipt of a written request, pursuant to 660:2-9-2 of the Rules, a hearing on the Amended Recommendation shall be promptly scheduled or a written order denying hearing shall be issued.

6. Notice of the date, time, and location of the hearing shall be given to Respondent not less than forty-five (45) days in advance thereof, pursuant to 660:2-9-2 of the Rules.

Witness my Hand and the Official Seal of the Oklahoma Department of Securities this 10th day of May, 2018.

(SEAL)

  
\_\_\_\_\_  
IRVING L. FAUGHT, ADMINISTRATOR OF THE  
OKLAHOMA DEPARTMENT OF SECURITIES

**CERTIFICATE OF MAILING**

The undersigned hereby certifies that on the 10th day of May, 2018, a true and correct copy of the above and foregoing *Notice of Opportunity for Hearing* and the *Amended Enforcement Division Recommendation* were mailed by certified mail, return receipt requested, delivery restricted, with postage prepaid thereon, addressed to:

William D. Lancaster  
7104 S. Sycamore Ave.  
Broken Arrow, OK 74011

  
Brenda London, Paralegal

STATE OF OKLAHOMA  
DEPARTMENT OF SECURITIES  
204 NORTH ROBINSON, SUITE 400  
OKLAHOMA CITY, OKLAHOMA 73102



In the Matter of:

William David Lancaster (CRD #3188168),

Respondent.

ODS File 18-085

**AMENDED ENFORCEMENT DIVISION RECOMMENDATION**

The Oklahoma Department of Securities (“**Department**”) commenced an investigation into the activities of William David Lancaster (“**Respondent**”), pursuant to Section 1-602 of the Oklahoma Uniform Securities Act of 2004 (“**Act**”), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (2011 and Supp. 2017). Based thereon, the Enforcement Division of the Department submits the following Findings of Fact, Authorities, and Conclusions of Law to the Administrator of the Department in support of the issuance of an order against Respondent pursuant to Section 1-411 of the Act.

**Findings of Fact**

**Background**

1. Respondent is an individual who has resided in Oklahoma at all material times.
2. Respondent was registered under the Act as an agent and investment adviser representative of Edward Jones from May 5, 1999 and January 23, 2007, respectively, until February 6, 2018.
3. On February 8, 2018, Respondent filed an application for registration under the Act as an agent and investment adviser representative of Arvest Wealth Management (“**Arvest**”).
4. On March 27, 2018, the Enforcement Division of the Department filed, with the Administrator of the Department, an Enforcement Division Recommendation (“**Recommendation**”) seeking the issuance of an order denying Respondent’s application for registration under the Act as an agent and investment

adviser representative of Arvest and imposing any other sanction deemed appropriate.

5. On March 28, 2018, Respondent voluntarily resigned from Arvest and terminated his pending application for registration.

6. On March 30, 2018, Respondent was served with the Recommendation and notice of his obligation to file an answer and his right to request a hearing to show why an order based on the Recommendation should not be issued.

7. Respondent has not filed an answer or requested a hearing, and the deadline for filing an answer and request for hearing has passed.

8. The Enforcement Division of the Department files this Amended Enforcement Division Recommendation to modify the sanctions sought to be imposed against Respondent.

### **Misleading Application and Filing**

9. On approximately December 12, 2017, Edward Jones commenced an internal investigation relating to Respondent after a Field Supervision Director (“FSD”) for Edward Jones expressed concern that Respondent was using discretion in client accounts.

10. A Senior Compliance Resolution Investigator for Edward Jones (“Investigator”) was assigned to investigate the FSD referral.

11. On January 4, 2018, the Investigator spoke with Respondent regarding the FSD referral. The Investigator told Respondent that multiple commissions had been returned to customers and signs of discretion were present. During this conversation, Respondent affirmed that he used discretion for “maybe 20 [clients] but I can’t be certain, probably less,” and that he called the clients to let them know of the transactions but not necessarily on the same day as the trade.

12. The Investigator ended the January 4<sup>th</sup> conversation with disclosures that included, but were not limited to, that if Respondent resigned during the course of the investigation, his Form U5 would likely indicate that he resigned during the course of a compliance investigation into allegations of discretionary trading.

13. On January 9, 2018, the Investigator spoke with Respondent about scheduling a “compliance hearing” in early February.

14. On January 23, 2018, the Investigator again spoke with Respondent. During this conversation, the Investigator requested Respondent's cell phone records for the year 2017 and explained that there was a concern with the use of discretion and that Respondent's branch call logs did not show calls at the time of trade activity in certain accounts.

15. On January 24, 2018, the Investigator sent an email to Respondent confirming his prior request for Respondent's personal cell phone records for the year 2017. In this email, the Investigator stated, "As discussed, this is required as part of my investigation." The Investigator gave Respondent a deadline of Friday, January 26, 2018, to produce his cell phone records.

16. Respondent responded to the January 24<sup>th</sup> email on the same day.

17. On January 25, 2018, Respondent voluntarily resigned from Edward Jones.

18. On January 30, 2018, Arvest employed Respondent.

19. On February 6, 2018, Edward Jones filed a Form U5 for Respondent. The Form U5 stated that Respondent voluntarily resigned while "the Firm was reviewing concerns that the financial advisor used discretion in client accounts."

20. On February 8, 2018, Respondent filed his application for registration under the Act as an agent and investment adviser representative of Arvest.

21. Respondent provided a written statement dated February 9, 2018, to Arvest. It stated that at the time Respondent resigned from Edward Jones on January 25<sup>th</sup>, "I had not been made aware either in writing or verbally that I was subject to any internal review." This statement was submitted to the Department on approximately February 19, 2018, in connection with Respondent's application for registration under the Act as an agent and investment adviser representative of Arvest.

22. On February 27, 2018, Respondent filed a purportedly sworn statement with the Administrator. In this statement, Respondent stated, "Prior to my resignation on January 25, 2018, I was not aware of any internal investigation or review."

### **Use of Discretion**

23. During his association with Edward Jones, Respondent used discretion in an unknown number of customer accounts without written authorization from the respective customer and without the firm's acceptance of the accounts.



24. One instance of Respondent's use of discretion occurred in an account of customer JEB, an Oklahoma resident, on December 11, 2017. On December 12, 2017, Edward Jones contacted JEB who confirmed that she was not contacted by Respondent about the December 11<sup>th</sup> trade prior to the trade. Edward Jones subsequently cancelled the trade.

To the extent any of these Findings of Fact are more properly characterized as Conclusions of Law, they should be so considered.

### Authority

1. Rule 660:11-5-42 of the Rules of the Oklahoma Securities Commission and the Administrator of the Department of Securities ("**Rules**") (effective November 1, 2016) states, in pertinent part:

(a) **Purpose.** This rule is intended to set forth the standards of ethical practices for broker-dealers and their agents. Any noncompliance with the standards of ethical practices specified in this section will constitute unethical practices in the securities business; however, the following is not intended to be a comprehensive listing of all specific events or conditions that may constitute such unethical practices. The standards shall be interpreted in such manner as will aid in effectuating the policy and provisions of the Securities Act, and so as to require that all practices of broker-dealers, and their agents, in connection with their activities in this state shall be just, reasonable and not unfairly discriminatory.

(b) **Standards.**

(1) A broker-dealer and his agents, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade. A broker-dealer and his agents shall not violate any federal securities statute or rule or any rule of a national securities exchange or national securities association of which it is a member with respect to any customer, transaction or business effected in this state.

\* \* \*

(13) The following standards shall apply to discretionary accounts:

\* \* \*

(B) No broker-dealer or agent of a broker-dealer shall exercise any discretionary power in a customer's account unless such customer has given prior written authorization to a stated individual or individuals and the account has been accepted by the broker-dealer, as evidenced in writing by the broker-dealer or the partner, officer, or manager duly designated by the broker-dealer, in accordance with (22) of this subsection.

2. Section 1-505 of the Act provides:

It is unlawful for a person to make or cause to be made, in a record that is used in an action or proceeding or filed under this act, a statement that, at the time and in the light of the circumstances under which it is made, is false or misleading in a material respect, or, in connection with the statement, to omit to state a material fact necessary in order to make the statement made, in the light of the circumstances under which it was made, not false or misleading.

3. Section 1-411 of the Act provides, in pertinent part:

A. If the Administrator finds that the order is in the public interest and subsection D of this section authorizes the action, an order issued under this act may deny an application, or may condition or limit registration:

1. Of an applicant to be a broker-dealer, agent, investment adviser, or investment adviser representative[.]

\* \* \*

C. If the Administrator finds that the order is in the public interest and paragraphs 1 through 6, 8, 9, 10, 12 or 13 of subsection D of this section authorizes the action, an order under this act may censure, impose a bar, impose a civil penalty in an amount not to exceed a maximum of Five Thousand Dollars (\$5,000.00) for a single violation or Two Hundred Fifty Thousand Dollars (\$250,000.00) for multiple violations on a registrant, and/or recover the costs of the investigation from a registrant and if the registrant is a broker-dealer or investment adviser, from any partner, officer, or director, any person having

a similar function or any person directly or indirectly controlling the broker-dealer or investment adviser.

D. A person may be disciplined under subsections A through C of this section if the person:

1. Has filed an application for registration in this state under this act or the predecessor act within the previous ten (10) years, which, as of the effective date of registration or as of any date after filing in the case of an order denying effectiveness, was incomplete in any material respect or contained a statement that, in light of the circumstances under which it was made, was false or misleading with respect to a material fact;

2. Has willfully violated or willfully failed to comply with this act or the predecessor act or a rule adopted or order issued under this act or the predecessor act within the previous ten (10) years;

\* \* \*

13. Has engaged in dishonest or unethical practices in the securities, commodities, investment, franchise, banking, finance or insurance business within the previous ten (10) years[.]

\* \* \*

G. An order may not be issued under this section, except under subsection F of this section, without:

1. Appropriate notice to the applicant or registrant;

2. Opportunity for hearing; and

3. Findings of fact and conclusions of law in a record in accordance with the Administrative Procedures Act. If the person to whom the notice is addressed does not request a hearing within fifteen (15) days after the service of notice is effective, a final order as provided in subsection A, B or C of this section may be issued.

## Conclusions of Law

1. Respondent has engaged in dishonest and unethical practices in the securities business within the previous ten years in violation of 660:11-5-42 of the Rules by exercising discretion in customer accounts without prior written authorization and firm acceptance of the accounts.

2. Respondent filed an application for registration under the Act that contained a statement that, in light of the circumstances under which it was made, was false or misleading with respect to a material fact, and made a misleading filing in violation of Section 1-505 of the Act, by stating that he was not aware of any internal investigation or internal review prior to his resignation from Edward Jones.

3. The Administrator is authorized under Section 1-411 of the Act to impose a bar on Respondent.

4. It is in the public interest for the Administrator to impose a bar on Respondent.

To the extent any of these Conclusions of Law are more properly characterized as Findings of Fact, they should be so considered.

WHEREFORE, it is recommended that the Administrator issue an order barring Respondent from registration under the Act for twenty-four (24) months and imposing any other sanctions deemed appropriate.

Respectfully submitted,



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